

CREDIT FOR COLLEGE™



Tools for
Managing Your
Money

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1. IT'S TIME TO THINK ABOUT COLLEGE

Give yourself some credit and start thinking about college.

That's right—now!

Nothing can help you more than a good education, and nothing can hold you back like the lack of one. Working at a fast food restaurant for \$7 an hour might be OK for a part-time job in high school, but not when you're 30. A good education is your ticket to a better life and a better future.

Now is the time to check out your options.

WHAT COLLEGE CAN DO FOR YOU

Why should college be an important part of your future? Here are some of the reasons. When you go to college, you will:

- Gain knowledge that can never be taken away and that will help you grow as a person.
- Decide what kind of career you want to have.
- Obtain the skills you need to succeed in the career of your choice.
- Start building a bright financial future.

GETTING STARTED NOW

As a high school student, you're learning the importance

of high school credits. Without enough credits, you won't graduate. The same is true with college. To get college credit, you'll need to choose the right classes, study hard, and pass your exams.

You also can start building another kind of credit while you are in high school and college: financial credit. To build financial credit, you'll need to spend and save money wisely.

That's why the National Endowment for Financial Education, a recognized leader in providing financial education for people of all ages, and EDFUND, one of the nation's largest providers of student loan services, have created this guide for you. We want you to succeed in your college planning—and in your financial planning.

C o l l e g e I s f o r Y o u !



CHECK OUT THESE FACTS.

- ▶ **People who graduate from college are much more likely to get a job and stay employed.** Only 2.3 percent of adults (25 and older) with a college education were unemployed during 2005. People with less than a bachelor's degree (some college or an associate's degree) experienced 2.6 percent unemployment. During that time, 4.7 percent of high school graduates were unemployed, but 7.6 percent of high school dropouts didn't have jobs. Less education equals more unemployment. (Source: U.S. Department of Labor, Bureau of Labor Statistics. Office of Employment and Unemployment Statistics. Current Population Survey, 2005.)
- ▶ **People who graduate from college earn more money.** In 2005, a person with a bachelor's degree earned 37 percent more than a person with a high school diploma. A master's degree provided even more earning power—almost double the earning power of a high school diploma alone. (Source: U.S. Bureau of the Census, Current Population Survey, 2004 Annual Social & Economic Supplement, March 2005.)
- ▶ **If you want to be part of a dynamic new economy, you'll need college.** Government projections say that jobs requiring an associate's degree or more will make up 76 percent of the fastest growing occupations between 2004-2014. (Source: U.S. Department of Labor, Bureau of Labor Statistics.)

WHAT DO YOU WANT TO BE?

Look at the jobs listed here. Do any of them interest you? Check out how much school it will take to get you there.

TWO-YEAR COLLEGE (ASSOCIATE'S DEGREE)	FOUR-YEAR COLLEGE (BACHELOR'S DEGREE)	FOUR YEARS PLUS (GRADUATE SCHOOL)
Automotive mechanic	Accountant	Architect
Baker	Computer systems analyst	Dentist
Computer technician	Computer programmer	Physician
Commercial artist	Computer engineer	Economist
Flight attendant	Engineer	Scientist
Surveyor	FBI agent	Librarian
Graphic designer	Geologist	Public policy analyst
Firefighter	Insurance agent	Minister, priest, rabbi
Medical technician	Investment banker	Lawyer
Web developer	Journalist	University professor
Office equipment technician	Public relations specialist	Psychologist
Licensed practical nurse	Registered nurse	Pharmacist
Travel agent	Teacher	Veterinarian
Veterinary technician	Social worker	Management consultant



WHAT'S STOPPING YOU?

You know that a college education can be your key to a better, more successful future. But maybe you're not sure if you can do it. Below are some concerns that high school students often have. Do you see yourself here?

I don't know what I want to do for the rest of my life

If you're having trouble deciding on a career or setting your educational goals, there are a number of places you can go for help. Start by checking out Mapping Your Future (www.mapping-your-future.org). It's a great source for helpful hints about choosing a career and then finding the type of school that is best for helping you get started in that career.

I can't afford it

There's no doubt about it—college is expensive. But there are ways to pay for it, including financial aid, part-time jobs and smart budgeting. You can start searching for financial aid sources right now. Ask your high school guidance counselor or parents to help you get started. Or, check out some of the books and Web sites listed at the end of this booklet.

As you do your research, you'll also find that some colleges cost less than others. For example, technical schools, community colleges and public colleges usually are less expensive than private colleges.

I have bad grades

You can start to change that now with hard work and motivation. If you make up your mind to learn good study habits, work harder in classes, and turn in all your assignments, you'll be amazed at how quickly your grades will go up. If you're really struggling in an area, ask your teachers or high school guidance counselor for advice. They may help you find a tutor or provide some other tips to improve your grades.

THE POWER OF EDUCATION

The chart below shows how an education can pay off:

Median Annual Earnings

FOR SINGLE WAGE-EARNER BY LEVEL OF EDUCATION

High school dropout	\$21,268
High school graduate	\$30,316
Some college	\$33,956
Associate degree	\$36,348
Bachelor's degree	\$48,472
Master's degree	\$58,708
Doctorate degree	\$73,892
Professional degree	\$71,240

Note: Employment earnings are for full-time workers age 25 and over.

Sources: U.S. Bureau of the Census, Current Population Survey, 2004
Annual Social and Economic Supplement, March 2005

I have to work

You aren't alone. Many high school students work part-time and still manage to get good grades. In college, that won't change. You'll find that many college students work and carry a full load of classes. Tip: Look for a school that offers flexibility, such as online classes, night classes, weekend classes and part-time study.

My friends aren't planning to go to college

That's too bad! Maybe they will change their minds. In the meantime, don't let your friends discourage you. Getting an education is the right thing for you. Follow your own dreams—not someone else's.

I have a baby

You won't be the only one. Many college students juggle school and family obligations, but they keep going because they want to make a better life for themselves and their children. Look for a college that provides day care and other assistance—many do.

LOOK AT YOUR OPTIONS

Going to college doesn't have to mean living in a dorm at a state university. You have many options for higher education—including options for where you live.

Community colleges

Community colleges offer two-year degree and certificate courses. They're usually flexible in admissions policies, so if you haven't done well in high school, they can offer you a fresh start. Some states are introducing new programs that offer automatic acceptance into a university if you've succeeded at a community college.

Another plus: Community colleges are cheaper. You can complete your first two years of study at a community college, and then transfer your credits to a four-year college or university to obtain your bachelor's degree.

Four-year colleges or universities

A four-year college or university will offer you more advanced classes and may have a more challenging environment. If you want to pursue a graduate degree, you may be able to go straight from your bachelor's courses to master's level courses at the same university.

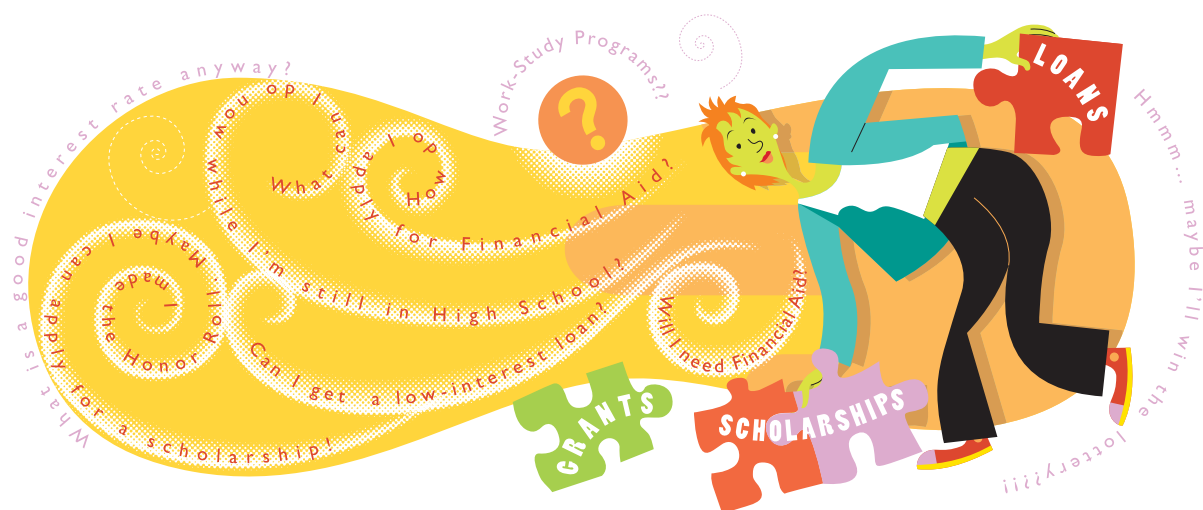
Live at home or on campus

You'll also have to look ahead and decide if you want (or need) to live at home during college. Often, you'll find that colleges near home offer some great programs. Just make sure that your local college has the classes you need. One other thing to consider: While it probably will be less expensive to live at home during college, you may miss out on some of the social life and experiences that come with living on campus.

ANOTHER OPTION:

Career or Technical Schools

If your dream job requires technical training, you may want to go to a career or technical school. As with any college, it's important to check out a technical school's curriculum, credentials and job-placement success to ensure it meets your goals.



2. FINANCIAL AID: SOME ANSWERS TO YOUR QUESTIONS

Simply put, financial aid is money you get from sources other than your family to help you pay for college tuition, books, fees and living expenses.

WILL I NEED FINANCIAL AID?

Most students find that they need some financial aid to get through college. Whether or not you or your parents have saved money for your college education, the simple fact is that college costs keep rising, so it pays to check out financial aid resources.

In general, financial aid comes in three forms:

1. SCHOLARSHIPS AND GRANTS

2. WORK-STUDY PROGRAMS

3. LOANS

Many students use a combination of all three types of financial aid.

Scholarships and grants

The best part of scholarships and grants is that the money doesn't have to be paid back. Plus, you can start applying for them while you are still in high school. Some scholarships can be applied for as early as the 9th grade. Your high school counselor or librarian can help you get started.

It takes time and effort to track down and apply for scholarships and grants. Still, the free money you can get makes it time well spent. Think of it this way: Even if you spend five hours applying for a scholarship that only pays \$250, if you get the award, you will have "earned" \$50 an hour. Where else can you make that kind of money? That's why you should make applying for scholarships and grants your top priority in searching for financial aid.

Work-study programs

The Federal Work-Study Program is another form of financial aid. If you qualify for this program based on financial need, you can get jobs both on campus or with nonprofit groups and public agencies to help pay for your school expenses. Your college will assist you in finding a job, and the federal government will pay part of your salary.

Loans

Many students are unable to complete their college education without loans. While loans may be relatively easy to get, remember—they are real money! You must pay the money back—with interest.

The federal government and private lenders have student loan programs. Typically, it's best to start by exploring federal student loans. These loans often have lower interest rates, and the federal government may not require you to start repaying the loan until you are out of school.

How Do I Get Financial Aid?

The first step in applying for financial aid is to complete the Free Application for Federal Student Aid, or FAFSASM form. You should complete this form during your senior year in high school. The form will ask for a lot of information about your family's finances, most of which will be on your parents' income tax returns. This information will be used to calculate how much financial aid you need.

A paper version of the FAFSA is available each November at high schools, career centers, libraries, and college financial aid offices. Or, you can call 1-800-4FED-AID (1-800-433-3243) to request a copy. You also can complete the FAFSA online at www.fafsa.ed.gov. If you need help completing your FAFSA, ask your high school counselor for help.

What Does the FAFSA Do?

The FAFSA helps map out your financial needs by determining how much of your college costs you and your family can afford, and how much help you'll need from other sources, such as scholarships, grants, work study, and loans.

How Can I Find Out More About Financial Aid?

Talk to your high school guidance counselor or call the financial aid office at the colleges you are interested in attending to learn more about financial aid. Several of the Web sites listed at the end of this guide also can help you search for financial aid. For example, when you go to EDFund's Web site at www.edfund.org, click on the Students & Parents section. You'll find information about student loan programs, scholarships, financial planning for college, and more.

How Much Does College Cost?

College is more affordable than you might think. Annual average tuition and fees to attend a two-year public college is \$2,727; four-year public is \$5,836 and four-year private is \$20,082. Keep in mind that with grants, scholarships and other forms of financial aid, the price tag for a college education is significantly lower! Source: The College Board's Trends in College Pricing, 2006



WHAT ELSE CAN I DO TO CUT COLLEGE COSTS?

HERE ARE A FEW IDEAS:



Sign up for challenging classes in high school and get the best grades you can. Doing these things will increase your chances of winning a scholarship.



Take Advanced Placement (AP) courses and exams in high school. If you score high enough on AP exams, you can get advanced placement in college or college credit. This can save you time and money because you may be able to take fewer classes in college to graduate.



Serve your country.

Service in the Reserve Officers' Training Corps (ROTC), or in AmeriCorps, the country's domestic Peace Corps, entitles students to scholarships of varying sizes to cover college expenses.



3. REAL-LIFE MONEY MANAGEMENT

For most people, college is the first time they've ever been on their own. The sense of freedom can be scary—and exciting. It's easy to make mistakes when you're trying to create a great lifestyle and become friends with a lot of new people. It's easy to make mistakes with money, too.

So now, while you're still in high school, is the time to build smart money skills that can never be taken away. Let's start by looking at how to use a checking account and a credit card, and how to resist advertising hype. Knowing these things will help you keep more money in your pocket.

Stick to it and by the time you're in college, you'll be the smartest money manager on campus.

CHECKING ACCOUNTS 101

At some point during high school—maybe after you have your first job—you may be ready to open a checking account. A checking account is good to have because:

- **It's convenient.**
- **It keeps your money safe.**
- **It helps you track your spending habits.**
- **It usually costs less to have a checking account than it does to buy money orders or cashier's checks to pay your bills.**

Banks, savings and loans, and credit unions all offer checking accounts. Try to find one with low fees

that's from a bank convenient to home and school. Be sure to tell the bank teller or officer that you're a student—the bank may have checking accounts that cost less for students.

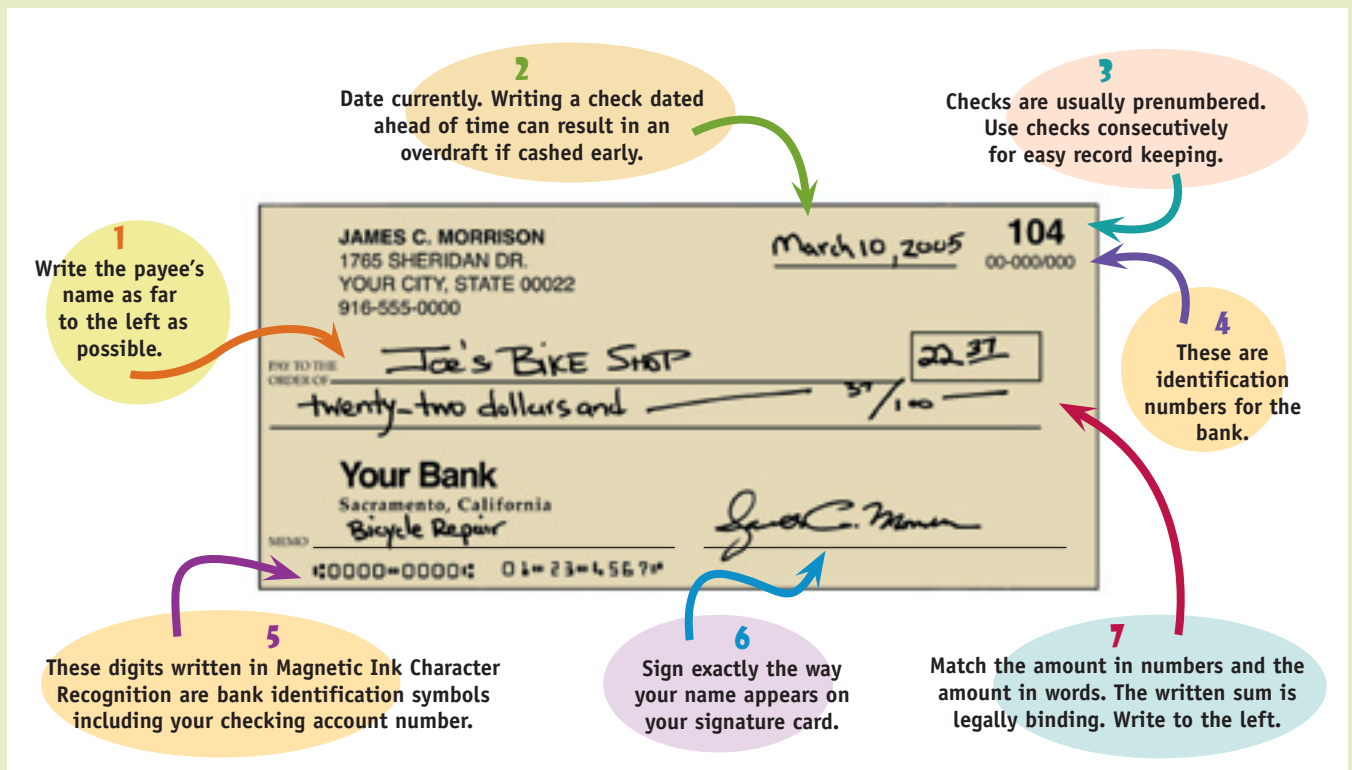
Keeping in balance

But how on earth do you manage a checking account? It may sound like a lot of work, but don't worry—it's not so bad. Here are some tips:

- **Keep a careful record of the checks you write and your withdrawals from automated teller machines (ATMs) so you don't spend more money than you have in your checking account. (That's called being "overdrawn.") Every time you write a check or make a withdrawal of cash from your account, write down the amount, date, and to**

whom the check was written in your checkbook register. Then, subtract the amount from your previous balance.

- It sounds obvious, but don't ever write a check for more money than you have in your account. The check will "bounce" and it can cost you big time. The bank will charge you \$20 to \$30 for each bounced check. Plus, your reputation will be hurt both with the bank and with the people to whom you owe money.
- Don't sign a check unless you're sure the information is correct. If a check isn't usable, write "VOID" across it in big letters.
- If you lose your checks, or someone steals them, call your bank immediately.
- Always use a pen, typewriter, or check writing machine to fill out a check. Don't ever, ever use a pencil that can be erased.
- Never lend your checks to anyone.
- Use check cards and debit cards carefully. They look like a credit card—except that the money is pulled directly out of your checking account. When you use a check or debit card, make sure you write down the amount in your checkbook register and subtract it from your balance so you don't overdraw your account.
- Don't endorse (sign the back of) your paycheck until you're at the teller's window. If your endorsed check is stolen, the thief can cash it! The only exception is when you are making a deposit. In that case, write "for deposit only" and your account number on the back of the check. That way, no one else can cash it.
- Balance your checkbook every month. When you get your checking account statement each month, make sure the dollar amounts on the statement match the dollar amounts in your checkbook register. If not, look for errors. The checking account statement will have directions on how to do this. Remember to take into account any fees your bank charges. If you get confused, ask your banker for help. That's what they're there for.



GIVE YOURSELF SOME CREDIT

Another important next step in becoming money wise is learning about and handling credit. In this section, you'll read about some of the pluses and minuses of using a credit card, and you'll decide if you want a credit card at all. Remember, you can't get a credit card without parental permission until you are 18. After that, watch out! The offers will come in the mail and you'll have to be ready to make credit decisions.

Credit card advantages—and disadvantages

Credit cards are handy. They can help you through an emergency, such as paying to repair your car. You can use credit cards to make purchases by telephone or online. Credit cards offer more safety than carrying a wad of cash in your pocket. And, they can help you build a credit record for the future.

But credit cards also have a downside. Credit cards can tempt you to spend money that you don't have. They can cost a lot of extra money if you have to pay annual fees or interest on amounts that you don't pay off every month. Credit card debt can take months—even years—to repay if you pay only the minimum payment due.

If you go too far in debt with a credit card, you can hurt your credit record for years to come. A poor credit record may mean that you can't get a loan in the future when you need it. A poor credit record can even hurt your chances of getting a job or renting an apartment.

So, while it may feel cool to whip out a credit card and treat your friends to something, remember, you'll feel foolish if the credit card statement comes in the mail and you don't have the money to pay the bill. It's easy to get into debt but much harder to get out of it.



N

How Old Will You Be?

Question:

Let's assume you are 18 years old and owe \$4,500 on your credit card. The interest rate on the card is 18 percent. If you make the 4 percent minimum payment each month, when will you be debt-free?

Answer:

When you are 30 years old! By that time, you will have paid more than \$2,450 in interest, plus the original \$4,500 that you borrowed.

Credit card tips

Despite all these concerns, most college students have at least one credit card. Some high school students also have a credit card.

If you plan to get a credit card when you turn 18—or if you use one now—here are some tips to make sure

you stay in charge of your credit card, instead of letting it take charge of you!

- **Have one credit card. That's right. One.** Choose one bank credit card that can be used many places, instead of a department store credit card that can only be used at that store.
- **Shop around for a card with no or low fees, a lower interest rate (called an annual percentage rate or APR), and a 25-day grace period before interest is charged on new purchases. Look on the Internet for a credit card with the best deal. (A good site is www.bankrate.com.)**
- **Pay off your credit card bill in full each month. If you can't do that, at least make more than the minimum payment.**
- **Mail your payment early or pay online to avoid late fees.**
- **Think of a credit card as a loan. Before you use it, ask yourself, "Would I really go to the bank to get a loan for this?"**
- **Never lend your credit card to someone else.**
- **Don't use your credit card to get a cash advance unless you have an emergency. Cash advances are expensive. Besides paying a fee for the money, you also will be charged interest immediately, often at a higher rate.**

Who me? Worry?

OK, you're thinking, this is pretty good information. But why should I worry about credit while I'm still in high school?

Think of it this way: The money habits you develop now will affect your future. If you learn how to handle credit wisely now, you'll know how to stay out of unnecessary debt later. You'll also be ready to handle your student loan if you need one to help pay for college.

So, start building good money management habits right now. They will pay off big time in the future.

DON'T LET THEM PULL YOUR STRINGS

Another way to take charge of your money is to become advertising savvy.

Have you ever seen one of those puppets that dangle from a maze of strings? If you react to every commercial or advertisement you see or hear in the media, you're like one of those puppets.

Face it: Advertising is just a way that companies and other people try to push you to do something. Advertisers know that their methods work and they often target teens. Why? The answer is simple: teen spending is a powerful force in the U.S. economy. According to Teenage Research Unlimited, teens spent \$169 billion in the year 2004 alone! There are actually marketing companies that specialize in teaching businesses how to sell things to teens—how to pull your strings.

Here's a quick exercise: Think of your favorite television show, and then think of how many commercials are on each show. How are the advertisers trying to pull your strings?

Do you really believe:

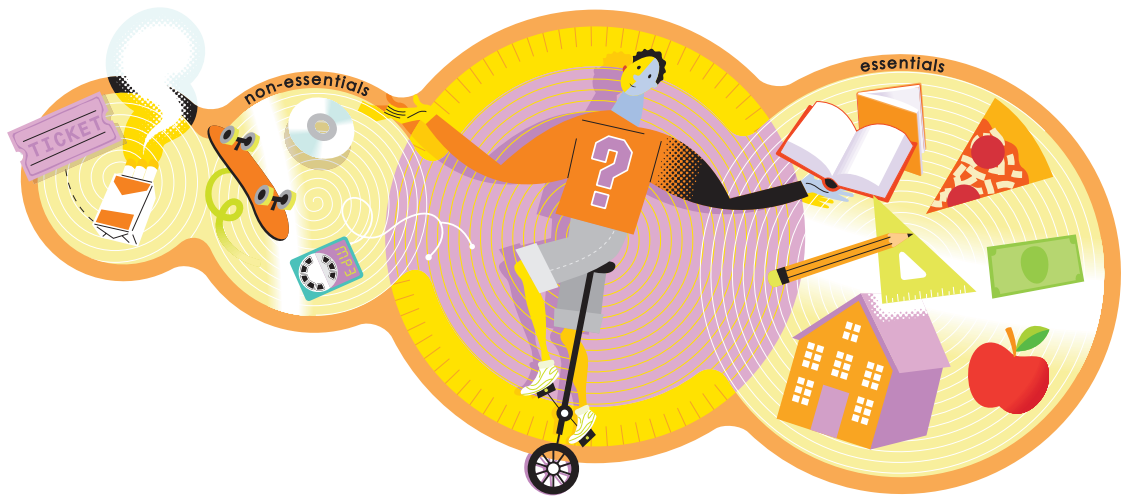
- **That a particular product will make you happy?**
- **That a product will bring you romance?**
- **That a product will make you more attractive to the opposite sex?**

We didn't think so.

How often have you seen an advertisement or a commercial urging you to save money, or plan for college? Not too often.

So think before you buy. Do you need it? Or do you want it? If you really want it, ask yourself why.

Thinking about who is trying to pull your strings—and why—will help you say "bye, bye, bye" to the urge to "buy, buy, buy."



4. PLAN NOW TO STAY AHEAD

This chapter will help you build good money management habits by showing you how to develop a spending plan. High school is a good time to start using a spending plan.

With it, you'll know exactly how much money you have coming in, where you need to spend it, and where you'll be able to save a few bucks. You'll also be more likely to reach your financial goals, whether they're long term (like college) or short term (like buying the latest music CD). Let's get started.

IDENTIFY YOUR INCOME

If you receive a paycheck or an allowance each month, write the amount you get here. If you have a business, such as baby-sitting or lawn mowing, estimate how much you earn every month.

MONTHLY INCOME WORKSHEET

Source

Per Month

Job

\$

Allowance

\$

Other

\$

Other

\$

Other

\$

Total income

\$

LIST YOUR EXPENSES

Some expenses, such as car insurance, are due at certain intervals throughout the year. To figure out these monthly costs, divide the amount of each one by the number of months between payments, and write that amount down.

For example, Sarah's parents ask her to pay for her car insurance. Although the insurance bill is due every three months, Sarah wants to plan for it. Her car insurance costs \$400 every three months. Sarah divides

\$400 by three. The result, \$133.33, is her monthly costs for car insurance.

Other expenses, such as money for clothes or car repairs, can come unexpectedly. If you aren't sure how much you spend each month for clothes, car repairs, gas, CDs and eating out, keep a notebook with you and jot down what you spend on everything for the next couple of months. When you have an estimate, write them down here.

MONTHLY EXPENSES WORKSHEET

Source	Per Month
Savings*	\$ _____
Car payment	\$ _____
Car insurance	\$ _____
Food (snacks, lunches, etc.)	\$ _____
Clothing	\$ _____
Entertainment (movies, dates, concerts, etc.)	\$ _____
Gifts	\$ _____
Transportation (gas/oil/repairs/bus)	\$ _____
School supplies/fees	\$ _____
Donations/charitable contributions	\$ _____
Total expenses	\$ _____

*Think of savings as a regular expense. That way, you'll be more likely to stick to a savings plan. Savings tips are provided later in this guide.

DETERMINE WHAT'S LEFT

After you've written down your total income and your total expenses for each month, subtract expenses from income to find out how much money you have left each month.

Write down your monthly total income	\$ _____
Write down your monthly expenses, including savings	\$ _____
Subtract expenses from income and list the amount here	\$ _____

SET PRIORITIES AND MAKE CHANGES

Was there any money left over at the end of the month? If so, congratulations. Just add the extra money to the amount you've already earmarked for savings.

But if your expenses are more than your income, what can you do? First, look and see if you can cut back on any expenses. Even little things, like packing your lunch instead of springing for a burger or burrito, can make a big difference.

Also, do you really need that cup of gourmet coffee you buy every morning on your way to school and your weekend job? You may say "yes," but \$3 a day for a drink adds up to \$90 each month! Also, think about ways to increase your income, such as getting a part-time job or selling some things you no longer need.

PAY YOURSELF FIRST

If you start saving now, before you get into college, "paying yourself first" will become one of your smartest money habits.

"Paying yourself first" means that you put some money into your savings before you spend money on other things. Here's why it's so cool. If you put money into a savings account, it earns interest—money the bank pays you to keep a savings account at their institution. Bottom line: Saving money is like putting fertilizer on your garden—it makes it grow. Also, the more time you have to save, the more money you'll have. Because you are young, that's especially good news for you.

Do you think you don't have enough money to save? Take another look. If you get an allowance or have a part-time job, you have money available to save.

One easy way to save is to empty the loose change in your pockets or purse into a jar every day. Once a month, take that change to the bank and deposit it into your savings account. The key is to start saving regularly—even if it's just a few dollars a month. You'll start the healthy habit of paying yourself first and you'll be amazed how fast your money grows.



RULE OF 72

The Rule of 72 is a fun way to figure out how many years it will take to double your money when you save or invest it.

Here's how it works:

Divide 72 by the interest rate you expect to earn.

This will show you approximately how long it will take to double your money.

As an example: Assume you will earn 8 percent interest on your money each year.

($72 \div 8$ percent interest = 9 years.) You invest \$500 at 8 percent interest.

Your \$500 will double to \$1,000 in nine years.

Not too shabby!

WATCH HOW MONEY WORKS FOR YOU

There's a concept called the "time value of money." That's the relationship of time, money, and the rate of interest to how fast your money grows. It's pretty simple, really:

- The more time you have to save, the more money you'll have.
- The more money you save, the more money you'll have.
- The higher the rate of interest you earn, the more money you'll have.

Over time, your investment will earn compound interest.

That means interest is paid on your original investment, plus the accumulated interest you've earned.

Remember that \$3 a day café mocha? Well, if you decided to skip the mocha and save \$3 every day, you'd end up with an extra \$90 a month, which would turn into an amazing \$1,080 every year!

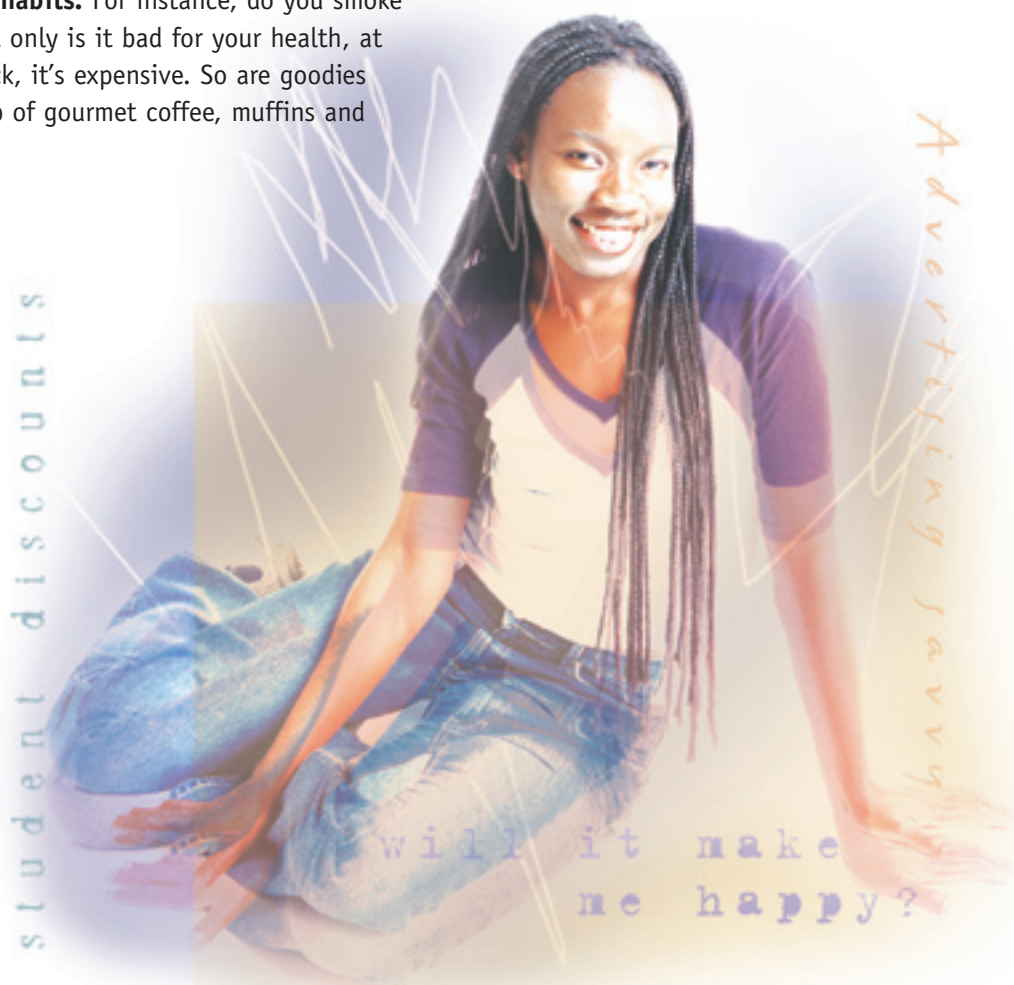
Imagine if you put that money into savings, instead, or invested it at 8 or 9 percent interest. The chart below shows the power of compound interest over different periods of time. The first row assumes your money stays in a savings account with a 3 percent interest rate. The second row uses a 9 percent rate, which assumes that your money is in a long-term investment, such as a mutual fund.

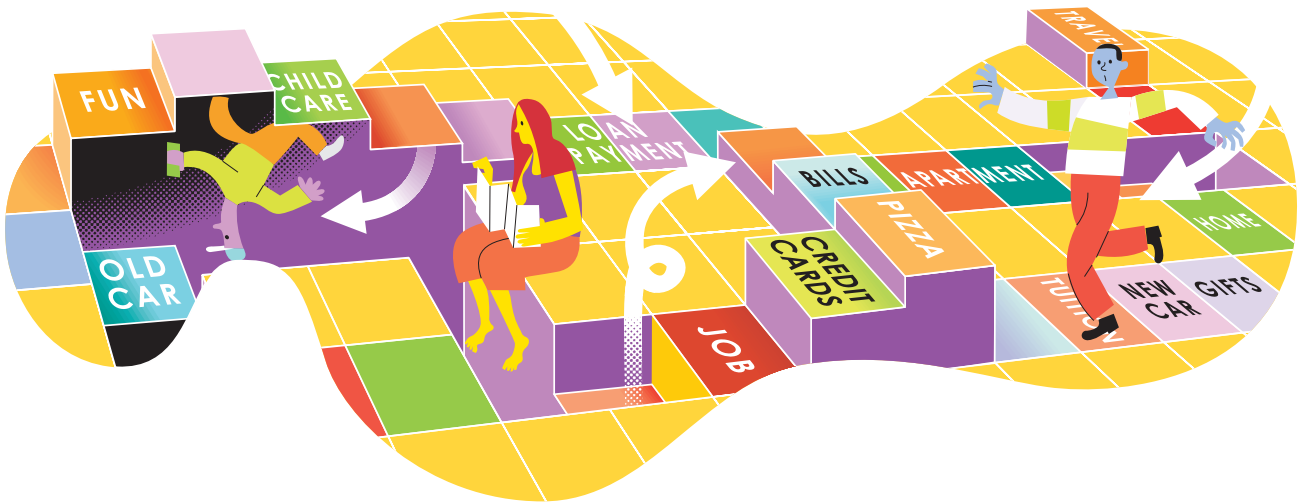
\$90/month	2 years	5 years	10 years	15 years	20 years
3% return	\$2,223	\$5,818	\$12,577	\$20,428	\$29,547
9% return	\$2,357	\$6,788	\$17,416	\$34,057	\$60,110

STRETCHING YOUR DOLLARS

Here are some ideas to cut expenses and keep more money in your pocket.

- **Ask for student discounts.** Simple things like going to the movies, buying a pizza, or riding the bus may cost you less—right now—if you show your student I.D. You can search the Web for student discounts, too. Keep using these discounts when you get to college.
- **Buy only what you need.** Before you make a purchase, ask yourself, “Do I really need this? Or do I just want it?” Remember that you’re saving for the future. After you graduate from college, you’ll have more money to get some of those “wants.”
- **Evaluate your habits.** For instance, do you smoke cigarettes? Not only is it bad for your health, at about \$4 a pack, it’s expensive. So are goodies like a daily cup of gourmet coffee, muffins and fast food.
- **Learn how to cook.** You’ll save yourself a lot of money in the future.
- **Use public transportation or a bicycle.** It’s much cheaper to ride the bus than it is to own a car. Another option is to ride your bike. Not only is cycling inexpensive and good for the environment, it’s great for your body, too.
- **Go to the library rather than buy books or magazines.** Many libraries let you check out videos and DVDs, too. Most libraries also offer free Internet access.
- **Shop around for clothes.** Look for sales, off-season bargains, and overstock stores. Also, check out garage sales and thrift stores for gently used (and sometimes really funky and cool) items.





5. THE BUILDING BLOCKS OF SUCCESS

Three former high school classmates. Three different ways of life. Who would have thought that their education as well as their spending and savings habits would make such a difference in their lives? See if you recognize yourself or anybody you know in the stories that follow.

KATIE

"Everybody told me that going to college was too expensive," Katie says. "I believed them."

You probably know someone like Katie. She's always been easygoing. She never pushed herself in high school, and she never figured out her skills or her interests. Her grades were mostly Cs, and she didn't think much about what she would do after high school. Like she said, college was never in the picture.

So, it was no surprise that after Katie graduated, she ended up working in a factory, earning \$8 an hour. She couldn't afford a decent place to live or even a good used car. At her job, she met a guy who was a little older. They started going out and before long she found out she was pregnant. The boyfriend left and Katie had to move back home with her parents. That's when her parents started telling Katie that she should think about going back to school.

Katie's not so sure. At age 22, single, and with a three-month-old daughter, it's hard to locate good child care at an affordable price. She's tempted to



quit her job and let her parents take care of her for awhile. “At least I could stay home with my baby,” she says.

Katie’s parents want her to go to the nearby community college and consider becoming a medical assistant. She is kind, likes to help people and is reliable. Still, Katie has her doubts.

“I feel like such a loser,” she says. “How can I go to school with a new baby and work? But if I don’t, I’ll never earn enough to live on my own. I wish I’d thought about college when I was still in high school.”

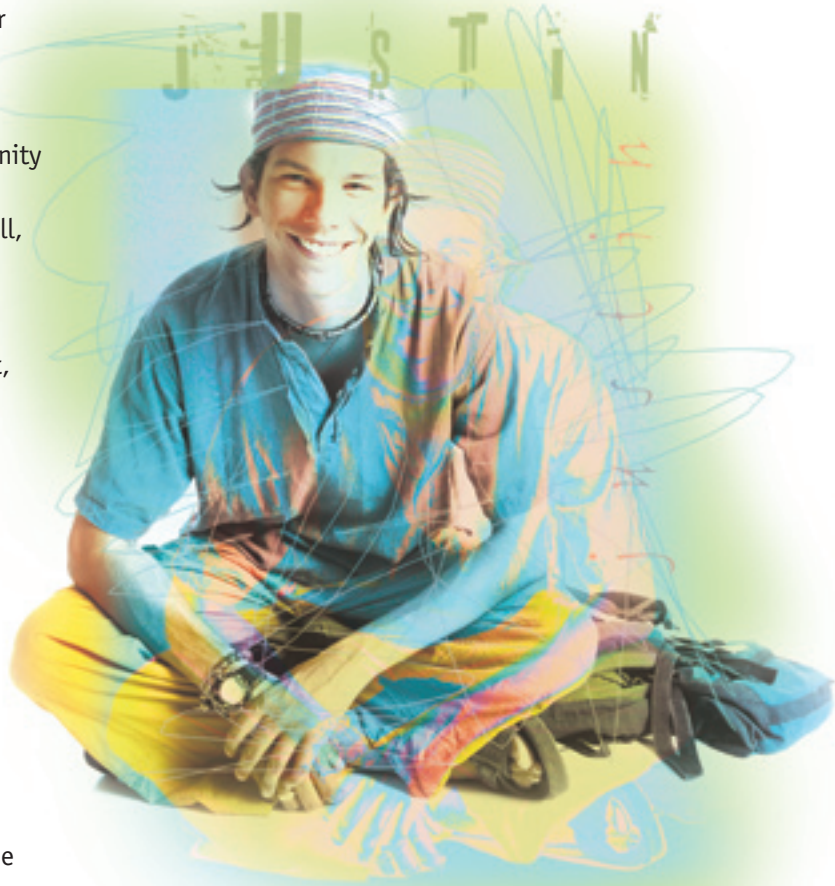
How can Katie improve her chances?

- Katie already has one strong point going for her: She graduated from high school.
- Katie should decide what career she would like to pursue.
- If her career requires a college education, she should look for a college that has the courses she requires. A nearby community college that offers child care may be a good choice.
- She needs to fill out a FAFSA to see what types of financial aid are available to her.

Justin

Justin’s grandmother says that Justin is the kind of kid whose money “burns a hole in his pocket.” In other words, he spends money as soon as he gets it.

In the 10th grade, Justin got a summer job at the local water park and made some decent money. He thought it was awesome to take his friends out for pizza and he couldn’t wait to get new video games. By the end of the summer, Justin had spent every penny he earned. In fact, he was hitting up his friends for loans—and then “forgetting” to pay them back. Justin’s forgetfulness lost him some friends.



The next year, Justin got an after-school job to earn money for college. His mom helped him open a savings account and even went with him to help him make his first deposit. Unfortunately, Justin also learned he could make withdrawals! So, when he had enough money for the latest electronic gadget, he pulled money out of his account and bought it. His parents were angry, but they figured Justin was going to have to learn “the hard way.”

He has.

Justin went to college using student loans and graduated with a degree in computer programming. It wasn’t long before he had a great job with a hot company. Because of his solid income, he was offered credit cards with high spending limits. Justin started buying himself the latest electronic equipment and expensive

rock climbing gear. He used another loan to buy a new, fully loaded sports car.

Within a year, Justin was only making minimum payments on his credit cards. His sloppy record keeping caused him to overdraw his checking account several times. The overdraft fees, along with the high interest on the credit cards and his car payment, left him with little money. Soon, he was late with his student loan payments. In time, Justin was so far behind on his car and credit card payments that the car was repossessed and three of his credit cards were canceled.

Finally, Justin realized he had a serious money problem. First, he called EDFUND for help with his student loan. He was happy to find that EDFUND's professionals were easy to work with. They set him up on a program to get him back on track with the student loan. Next, he went to a nonprofit credit counseling service, which negotiated with his creditors and put him on a tough spending plan. He also had to cut up all his credit cards.

If Justin can keep his money situation together, eventually he'll have good credit again. Maybe he'll be able to afford to buy another new car or even a home. In the meantime, he'll have to work hard to learn the lessons he might have learned back in high school.

What are Justin's money habits?

- Justin doesn't like to save—he doesn't have the "pay yourself first" habit.
- Justin's carelessness (like forgetting to pay back his friends) followed him after graduation. He kept forgetting to pay bills and didn't keep track of his spending.
- Justin likes to have nice things immediately. He goes into debt instead of saving to buy the things he wants.
- Justin did make two smart moves: He got help with his student loan, and he went to a nonprofit credit counseling organization. It's just too bad that he didn't get help sooner.



Kim

Kim is one of those motivated people you can't help but admire. She doesn't earn a huge salary—she's a veterinary technician—but she's happy. She lives in a comfortable townhouse that she's buying on her own, along with her tabby cat, Willard, and her Cocker Spaniel, Tucker. Kim drives a four-year-old compact car that gets great gas mileage.

As a child, Kim's parents gave her a small allowance. They took three large jars and labeled them: one for spending money, one for savings, and the last for giving to charity. By saving at least 10 percent and giving 10 percent to charity, Kim began good money management early.

During high school, Kim decided that she wanted to work with animals as a career. After checking out her options, she decided on a nearby technical school that had a vet-tech certificate program. She began working after school at a local vet's office as a helper and continued her good money habits.

After she had saved \$500, she invested it in a mutual fund and continued to make monthly payments. By high school graduation, Kim had nearly \$4,000 saved and was able to pay for most of her first year's tuition. She took out a student loan to cover the rest of her expenses.

As a student, Kim continued to use a spending plan, which included paying \$25 a month toward her student loan. Even though \$25 is a small amount, it helped keep her interest costs down so that by the time she graduated, she owed less money on her student loan than many of her friends.

Now that she's working as a vet-tech, Kim pays her student loan on time every month. She even pays a little extra money toward it when she can. Kim only has one credit card which she keeps for emergencies or for travel. Kim's credit record is spotless.

Kim is grateful that she's not in the same situation as her old classmate, Justin. In fact, she says, Justin's

struggles have motivated her even more to be a smart money manager. Both Justin and Kim are encouraging Katie, also a former classmate, to stick to her plan to get a degree in nursing—a bigger goal than she had set for herself in high school.

How has Kim succeeded?

- Her parents taught her basic money management skills early, including saving money by paying herself first.
- She started planning for college while she was still in high school.
- She has followed a smart spending plan, beginning in high school.
- She made small payments on her student loan while she was still in technical school.
- She pays off her credit card balance every month.
- She pays her bills on time, even paying extra on her student loan if she can.
- She has short-term and long-term goals, and she's willing to save money to reach them.



6. YOUR DREAMS, YOUR FUTURE

Now that you've finished reading this guide, you have a remarkable opportunity. You can take what you have learned and start to use it to make your dreams a reality.

Here is just some of what you have learned. You:

- Understand the value of a college education or other type of advanced training
- Know your educational options—community college, four-year college or university, or technical or business school
- Understand the basics of financial aid
- Can use and maintain a checking account
- Know the advantages and disadvantages of having a credit card, and how to use a credit card wisely
- Can avoid advertising traps and hype
- Know how to set up and use a spending plan
- Understand the importance of saving money, including the time value of money and the rule of 72
- Can find ways to stretch your dollars

That's a pretty impressive list! Congratulations! Now you have the chance to put what you've learned to work. Commit to being a smart money manager while you are still in high school. Start exploring your college options. Make a plan to reach your dreams. Doing all of these things will give you a big edge in life.

GO FOR IT!



APPENDIX

RESOURCES TO HELP YOU ON YOUR WAY

Books

Personal Finance

- *NEFE High School Financial Planning Program* (National Endowment for Financial Education, 5299 DTC Blvd., Suite 1300, Greenwood Village, CO 80111-3334. www.nefe.org)
- *Talking Money: Everything You Need to Know About Your Finances and Your Future*, Jean Chatzky (NY: Warner Books, 2002)
- *Tending Your Money Garden*, Bob Dreizler (Sacramento, CA: Rossonya Books, 2001)
- *Wall Street Journal Guide to Understanding Money & Investing, Third Edition*, Kenneth M. Morris, Virginia B. Morris and Alan M. Siegal (New York, NY: Lightbulb Press, 2004)

Financial Aid and College Planning

- *Fund Your Future* (EDFUND, P.O. Box 419045, Rancho Cordova, CA 95741-9045. www.edfund.org)
- *Tax Benefits for Higher Education* (EDFUND, P.O. Box 419045, Rancho Cordova, CA 95741-9045. www.edfund.org)

Web Sites

Personal Finance

- www.edwise.org (EdFUND's online financial planning guide)
- www.jumpstart.org
- www.mapping-your-future.org
- www.fafsa.ed.gov
- www.themint.org
- www.yacenter.org
- www.ntrbonline.org

Financial Aid and College Planning

- EDFUND has an online college planning site at www.edfund.org. Go to the Students & Parents section and look for "Financial Aid Planning."
- Register to take the ACT exam or have your ACT scores sent to colleges of your choice at www.act.org.
- Sign up to register for the SAT exam or have your SAT scores sent to up to four schools for free at www.collegeboard.com, plus find other excellent information about college planning.
- College Opportunities On-Line (COOL) <http://nces.ed.gov/ipeds/cool> offers fast facts at your fingertips for about 9,000 colleges and universities.
- Check out www.students.gov, the federal government's Internet gateway for students and their families. You'll find information and links on everything from community service and financial aid to military service, the various branches of the U.S. government, and study abroad.
- Sign up at www.fastweb.com for free access to an online database of private scholarship sources.
- A group of colleges and universities have banded together to make www.collegeispossible.org. This site offers information about college planning and preparation, finding the right college, and information about financial aid. There's even information there for your parents, in case they want to go back to school.

MY HANDY COLLEGE CHECKLIST

Don't wait—start now to plan for college. Here are some ways to get started.

9TH GRADE

- 👉 Think about career possibilities.
- 👉 Meet with your high school guidance counselor for information about careers and what classes you should plan to take during high school.
- 👉 Earn good grades. Your grades during high school will play a big part in what college you can get into and the scholarships you can earn.
- 👉 Get involved in community work or other kinds of volunteering. Not only is it good for others, it's good for you—and, it will look great on your college application.
- 👉 Do you have a Social Security number? If not, apply for one.
- 👉 Save money NOW to pay for school later.
- 👉 Talk to your parents about college and what, if any, financial help they can give you.
- 👉 Begin researching financial aid options. It's not too early to start applying for scholarships.

10TH GRADE

- 👉 Think about finding the right college for you. What kinds of schools are out there? What kind of school do you want to attend?
- 👉 Prepare for the SAT by taking the PSAT.
- 👉 Keep your grades up.
- 👉 Continue to save your money—do you have enough to invest?
- 👉 Continue researching financial aid options. Keep track of your findings.
- 👉 Does your high school offer Advanced Placement (AP) classes or exams for college credit? If so, maybe you can take them.

11TH GRADE

- 👉 Keep your grades up.
- 👉 Research colleges in more depth. Call, write, or e-mail each school for more information, including admissions information, accreditation, and degrees offered.
- 👉 Find out about costs, including tuition, room and board, fees, and books. You can save time by going to some of the links we've listed on page 21.
- 👉 Make a list of important deadlines for college admission and financial aid applications.
- 👉 Get registration materials and test dates for the ACT and/or SAT. Take practice exams if possible.
- 👉 Visit several of your top college choices to get a feel for which school is right for you. If you can't visit in person, find out if the college has a virtual tour online.
- 👉 If your high school or city offers a college fair, attend it.
- 👉 Contact EDFUND (www.edfund.org) for information about financial assistance.

12TH GRADE

- 👉 Stay focused! Keep your grades up!
- 👉 Start to draft your admissions essays.
- 👉 Ask teachers, employers, clergy or other significant adults for any letters of recommendation you may need.
- 👉 Narrow your college choices to the three or four you like best and keep track of your findings. How much does it cost to go there? How generous is the financial aid? Does it offer the course of study you want? What do current students say about the college? Recent graduates?
- 👉 Finalize your admissions essays.
- 👉 If you are not satisfied with your SAT and ACT scores, retake the tests.
- 👉 Apply for admission to your top three or four college choices.
- 👉 With your family's help, gather your financial records, including earnings, Social Security, veteran's payments, current bank statements, investment information, and business or farm records.
- 👉 Complete the Free Application for Federal Student Aid (FAFSA) and file it as soon as you can after January 1. Consider all of your options for paying for school. Find out about scholarships and grants before you apply for student loans.

12TH GRADE (CONTINUED)

- 📁 Keep track of all your deadlines such as applications, test(s), financial aid.
- 📁 Keep photocopies of everything you send out.
- 📁 Respond promptly to any requests for additional information from colleges or financial aid offices.
- 📁 Evaluate any financial aid offers carefully.
- 📁 Start hunting for summer work or an internship.
- 📁 Decide which college you'll attend and send in any forms or deposits by the deadline.
- 📁 Sign and return your college's financial aid offer, noting the parts you accept and those you decline.
- 📁 If other schools have accepted you, notify them that you won't be attending.
- 📁 In May or June of your senior year, have your final grade transcript sent to your college.
- 📁 GRADUATE!

OVER THE SUMMER

- 📁 Complete any financial aid paperwork.
- 📁 If you receive additional scholarships, report them to your financial aid administrator.
- 📁 Get busy with your college budget. Review the tips in this guide, and then visit www.edwise.org.
- 📁 Arrange for housing and transportation at college.
- 📁 Attend college orientation.
- 📁 Are you getting a federal student loan? If so, complete the promissory note and be sure to borrow smart—make plans to start repaying the loan while you're still in school.

CONGRATULATIONS!

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The characters portrayed in Chapter 5 are fictional creations intended to illustrate potential student outcomes, and do not represent any actual persons, living or dead.

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